
Introduced by Senator AckermanFebruary 23, 2001

An act to amend Section 1812.101 of the Civil Code, relating to discount buying organizations.

LEGISLATIVE COUNSEL'S DIGEST

SB 916, as introduced, Ackerman. Discount buying organizations.

Existing law regulates membership contracts for discount buying organizations, as defined. Certain discount buying organizations are exempted from these provisions, including organizations that provide a full refund of membership fees, as specified, maintain a bond of \$20,000, and comply with certain other requirements.

This bill would additionally exclude certain discount buying organizations limiting refunds to members who were charged with goods or services without authorization or who did not receive promised services, that maintain a bond of \$50,000, and that comply with other specified requirements, from the above-described provisions of law.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1812.101 of the Civil Code is amended
2 to read:

3 1812.101. For the purpose of this title, the following
4 definitions shall be used:

5 (a) "Discount buying organization" means any person or
6 persons, corporation, unincorporated association, or other



1 organization which, for a consideration, provides or purports to
2 provide its clients or the clients or members of any other discount
3 buying organization with the ability to purchase goods or services
4 at discount prices, except that such an organization shall not
5 include: (1) any discount buying organization in which the total
6 consideration paid by each client or member in any manner
7 whatsoever for the purchase of discount buying services from the
8 organization (A) does not exceed a one-time fee of fifty dollars
9 (\$50) or an annual fee of twenty-five dollars (\$25) to be paid on
10 a yearly basis, or (B) does not exceed a one-time or annual fee of
11 fifty dollars (\$50) and the organization provides a majority of the
12 goods and services through purchases by members who walk in to
13 a fixed location operated by the organization; (2) any discount
14 buying organization in which the total consideration paid by each
15 client or member in any manner whatsoever for the purchase of
16 discount buying services from the organization does not exceed a
17 one-time or annual fee of one hundred dollars (\$100) and the
18 organization (A) offers buying services to clients or members
19 through toll-free telephone access, computer access, or video
20 shopping terminals; (B) *(i) during the first year of membership of*
21 *each member, upon the request of the member, provides a full*
22 *refund of membership fees, exclusive of any fees, however*
23 *designated, not exceeding ten dollars (\$10) in the aggregate,*
24 *without conditions other than the surrender of materials which*
25 *allow the member to access or use the service, or (ii) if a publicly*
26 *traded corporation, limits refunds to those members who were*
27 *charged for goods or services without authorization or did not*
28 *receive the services promised with membership, and maintains a*
29 *procedure for the submission of a disputed refund to an*
30 *independent third-party arbitrator and assumes all parties'*
31 *arbitration costs; (C) provides at least 15 toll-free service lines to*
32 *California customers devoted exclusively to customer service*
33 *questions and complaints; and (D) maintains a bond which meets*
34 *the requirements of Sections 1812.103 and 1812.104, except that*
35 *the principal sum of the bond need only be twenty thousand dollars*
36 *(\$20,000) or, in the case of a corporation described in clause (ii)*
37 *of subparagraph (B), fifty thousand dollars (\$50,000); or (3) any*
38 *discount buying organization in which persons receive discount*
39 *buying services incidentally as part of a package of services*
40 *provided to or available to the individual on account of his or her*

1 membership in the organization, which is not organized for the
2 profit of any person or corporation, and which does not have as one
3 of its primary purposes or businesses, the provision of discount
4 buying services.

5 A discount buying organization does not include any person,
6 corporation, unincorporated association, or other organization,
7 which, for a consideration collected from another entity, provides
8 or purports to provide the clients of the other entity with the ability
9 to purchase goods or services at discount prices, if the clients of the
10 other entity do not order from, or pay any money to, that person,
11 corporation, unincorporated association, or other organization;
12 however, the entity from which the customer purchases the right
13 to obtain goods or services at discount prices, shall comply with
14 the requirements of this title.

15 (b) “Contract for discount buying services” means a contract
16 between one party (hereinafter referred to as the “buyer”) who is
17 purchasing the service for personal or family use, and a discount
18 buying organization, whereby the buyer for a consideration
19 receives the right to obtain goods or services from the discount
20 buying organization, or to utilize the discount buying organization
21 services in obtaining goods and services, at discount prices.

22 (c) “Discount prices” means prices which are represented to be
23 lower on most or all offered goods or services than those generally
24 charged for the items in the locality in which the representation is
25 made.

26 This definition is not intended to affect the degree of savings
27 which must be offered on an item or selection of items in order to
28 truthfully and without misleading consumers represent an item,
29 selection of items, or entire store as being “discount” or
30 “discounted.”

